

Message Text

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ACTION EUR-12

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FM AMEMBASSY BERN

TO SECSTATE WASHDC 4584

INFO SECDEF WASHDC PRIORITY

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C O N F I D E N T I A L BERN 3036

EO 11652: GDS

TAGS: MASS, SZ

SUBJ: F-5 OFFSET AGREEMENT: SWISS PLAN CIRITICAL PRESS RELEASE

1. SWISS MILITARY DEPARTMENT PRESS OFFICE HAS GIVEN EMBASSY PRESS OFFICER ADVANCE COPY OF PRESS RELEASE THAT GOVERNMENT OF SWITZERLAND APPARENTLY PLANS RELEASE ON JULY 8. STATEMENT REVIEWS BRIEFLY HISTORY OF OFFSET AGREEMENT, NOTING THAT COST OF F-5 AIRCRAFT IS SUPPOSED TO BE OFFSET AT LEAST 30 PERCENT BY COMPETITIVE PRICE CONTRACTS GAINED BY SWISS INDUSTRY. IT NOTES THAT AFTER FIRST 2 YEARS OF AGREEMENT, WHICH RUNS TO JULY 1983. A MIXED BILATERAL COMMISSION IS SUPPOSED TO REVIEW PROGRESS. ALTHOUGH THIS COMMISSION HAS NOT YET REACHED CONCLUSIONS IT CAN BE SAID THAT THE AGREEMENT PLACED HEAVY DEMANDS ON THE INDUSTRY AND ADMINISTRATION OF BOTH COUNTRIES AND THAT THE ANTICIPATED GREAT DIFFICULTIES HAVE NOT YET BEEN COMPLETELY OVERCOME. TO DATE OFFSET BUSINESS FOR SWISS INDUSTRY HAS AMOUNTED TO APPROX 40 MILLION SWISS FRANCS (APPROX 16 MILLION DOLS). THE REASONS FOR THIS UNSATISFACTORY SITUATION ARE BEING CLOSELY EXAMINED. STATEMENT CONCLUDES THAT AFTER THE MIXED COMMISSION MEETS,

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DISCUSSIONS AT THE GOVERNMENT-TO GOVERNMENT LEVEL ARE CONTEMPLATED AROUND THE END OF THIS YEAR AND IT IS ANTICIPATED THAT THE US DEPT OF DEFENSE WILL THEN BECOME INVOLVED AS FORESEEN IN THE AGREEMENT.

2. JAMES CORFIELD, NORTHROP PRESS RELATIONS OFFICER,

CALLED EMBOFF FROM LONDON JULY 6 TP PROVIDE BACK-GROUND ON MILITARY DEPT PRESS RELEASE, TEXT OF WHICH CORFIELD HAD ALSO RECEIVED. CORFIELD SAID HE HAD RECENTLY DISCUSSED OFFSET PROGRESS WITH DR MOERGELI, MILITARY DEPT PRESS OFFICER, NOTHING TOTAL FS 48 MILLION SO FAR ACHIEVED UNDER OFFSET. HE EXPLAINED TO MOERGELI THIS TOTAL WAS PROBABLY GREATER THAN WHAT SWISS HAVE BECAUSE OF USUAL SIX-WEEK LAG BEFORE SWISS ACCOUNTING PROCEDURE PICKS UP ITEMS. CORFIELD ALSO STRESSED TO MOERGELI THAT MOST (SF 35 MILLION) OF THIS OFFSET HAD BEEN ACHIEVED IN LAST SIX MONTHS BECAUSE IT TOOK YEAR OR SO TO OBTAIN COMMITMENTS ON SWISS OFFSET FROM USG AGENCIES OTHER THAN DOD. CORFIELD STATED THAT HE ASKED MOERGELI TO ADD PARAGRAPH TO PREE RELEASE WHICH WOULD EXPLAIN THAT MONTHLY OFFSET RATE DURING LAST SIX MONTHS WAS WELL ABOVE RATE NEEDED TO ACHIEVE MINIMUM 30 PERCENT. IF MAINTAINED, WOULD RESULT IN SF 468 MILLION OR DOLS 190 MILLION OFFSET BY 1983. HOWEVER, MOERGELI REFUSED TO MAKE THIS CHANGE, STATING THAT FEDERAL COUNCILOR GNAEGI HAD ALREADY APPROVED TEXT DRAFTED BY ARMAMENT CHIEF GROSSENBACHER AND HAD LEFT ON HOLIDAY.

CORFIELD EXPLAINED FURTHER THAT HE IS NOT AS PESSIMISTIC ON ACHIEVING 30 PERCENT OFFSET (DOLS 150 MILLION OR ABOUT SF 375 MILLION) AS ARE SWISS. HE
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MENTIONED THAT DECISION SHOULD BE MADE WITHIN A WEEK ON APPEAL BY SULZER FOR DOLS 3.7 MILLION CONTRACT. CORFIELD ADDED THAT US COURTS ARE REVIEWING ERDA DOLS 3 MILLION BONNEVILLE DAM PROJECT WHERE SULZER WAS LOW BIDDER, BUT ALLIS CHALMERS IS CONTESTING. AWARD OF THESE CONTRACTS WOULD HELP BOOST OFFSET TOTAL. CORFIELD NOTED, HOWEVER, THAT US POSITION IS WEAKENED BY FACT ONLY SF 40 MILLION ACCOUNTED FOR SO FAR, AND SWISS ARE ANXIOUS TO OFFSET AS MUCH AS POSSIBLE ABOVE 30 PERCENT.

CORFIELD SAID HE HAD INFORMED NORTHROP HEADQUARTERS THAT HE VIEWS PRESS RELEASE AS POLITICAL MOVE, PROBABLY RESULT OF SWISS DOMESTIC POLITICAL CONSIDERATIONS IN REGARD TO ADDITIONAL MILITARY EXPENDITURES PLANNED FOR DRAGON PROCUREMENT. CORFIELD SUGGESTED THAT NORTHROP NOT REACT. CORFIELD ALSO EMPHASIZED THAT SENTENCE IN PRESS RELEASE WHICH INDICATES SWISS DESIRE TO ESTABLISH BASIS FOR DOD TO TAKE OVER PRIMARY OFFSET ROLE FROM NORTHROP AND GE.

3. EMBASSY SHARES CORFIELD'S VIEW THAT US SIDE SHOULD

NOT REACT TO THIS PRESS RELEASE. HOWEVER, IF ASKED FOR OUR COMMENT EMBASSY PLANS TO SAY WE AGREE THAT THERE ARE STILL DIFFICULTIES TO BE OVERCOME, AND WE BELIEVE THEY WILL BE THROUGH THE COOPERATION OF BOTH SIDES.

4. EMBASSY TRANSLATION OF SWISS PRESS RELEASE FOLLOWS:

QTE PRESS RELEASE, FEDERAL MILITARY DEPT PRESS OFFICE
EMBARGOED UNTIL 8:00 AM JULY 8, 1977

IN CONNECTION WITH THE SUPPLY OF 72 TIGER AIR-CRAFT, THE US SECRETARY OF DEFENSE AND THE CHIEF OF THE FEDERAL MILITARY DEPT CONCLUDED AN OFFSET AGREEMENT ON JULY 9, 1975. IT WAS AGREED THAT SWISS INDUSTRY
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WOULD RECEIVE COMPENSATORY CONTRACTS OF AT LEAST 30 PERCENT OF THE VALUE OF THE AIRCRAFT, A CONDITION BEING THAT SWISS INDUSTRY WILL OFFER (ITS PRODUCTS) AT COMPETITIVE PRICES.

THE AGREEMENT WAS FOR A PERIOD OF 8 YEARS AND EXPIRES THEREFORE IN JULY 1983. A MIXED COMMISSION FROM THE 2 COUNTRIES IS SUPPOSED TO REVIEW PROGRESS AT THE END OF 2 YEARS.

ALTHOUGH THIS COMMISSION HAS NOT YET REACHED ITS CONCLUSIONS, THE FOLLOWING CAN BE SAID NOW: CARRYING OUT THIS TESTING AGREEMENT HAS PLACED HEAVY BURDENS ON THE INDUSTRY AND ADMINISTRATIONS OF BOTH COUNTRIES, AND THE ANTICIPATED LARGE DIFFICULTIES HAVE NOT YET BEEN ACHIEVED. TO DATE, OFFSET BUSINESS HAS AMOUNTED TO APPROX 40 MILLION FRANCS. THE REASONS FOR THIS UNSATISFACTORY SITUATION ARE NOW BEING CLOSELY EXAMINED.

AFTER THE COMMISSION REACHES ITS CONCLUSIONS, IT IS EXPECTED THAT DISCUSSIONS AT THE GOVT LEVEL WILL TAKE PLACE AROUND THE END OF THE YEAR, AND WILL BRING ABOUT THE INTERVENTION OF THE US DEFENSE DEPT, AS CONTEMPLATED IN THE AGREEMENT. UNQTE.

5. WHEN I PAID MY FAREWELL CALL JULY 5 ON FEDERAL COUNCILOR GNAEGI, HE SAID OFFSET QUESTION HAD BEEN DISCUSSED IN FEDERAL COUNCIL LAST WEEK. HE EXPRESSED HIS CONCERN ABOUT SEEMING LACK OF PROGRESS. GNAEGI ALSO SAID HE WANTED TO VISIT U S LATE THIS YEAR, BUT FOR DOMESTIC POLITICAL REASONS WOULD NOT FEEL ABLE TO GO UNLESS HE THOUGHT HE COULD RETURN HOME WITH POSITIVE CONCRETE RESULTS.

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Message Attributes

Automatic Decaptioning: X
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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